

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

APPLE INC.,

Plaintiff,

v.

MASIMO CORPORATION and
SOUND UNITED, LLC,

Defendants.

)

)

) C.A. No. 22-1377-MN-JLH

)

) **JURY TRIAL DEMANDED**

)

) **PUBLIC VERSION**

)

)

)

APPLE INC.,

Plaintiff,

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TABLE OF EXHIBITS

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Ex.	Description
A	Counterclaimants Masimo Corp. and Cercacor Laboratories's Final Infringement Contentions (excerpted)
B	Email Correspondence Between Apple (D. Cho.) and Masimo (M. Kachner)
C	Apple Watch US Sales Data, produced as APL_DEL01352630
D	[REDACTED], produced as APL_DEL01352629
E	Apple Watch Cost Data, produced as APL_DEL01352577
F	Plaintiff Apple Inc.'s Objections and Responses to Counterclaimants' Interrogatory No. 31
G	Apple.com, "Buy Apple Watch Series 8," printed from https://www.apple.com/shop/buy-watch/apple-watch/45mm-gps-red-aluminum-red-sport-band-m-l .
H	Apple.com, May 31, 2023 Press Release: "App Store developers generated \$1.1 trillion in total billings and sales in the App Store ecosystem in 2022," printed from https://www.apple.com/newsroom/2023/05/developers-generated-one-point-one-trillion-in-the-app-store-ecosystem-in-2022/
I	Apple.com, "How to Watch Apple TV," printed from https://support.apple.com/guide/tvplus/watch-in-a-web-browser-apdc0cb7ad64/web
J	Apple.com, "Join Apple Music on Android," printed from https://support.apple.com/en-us/HT205365
K	Apple Inc.'s Form 10-K for the Fiscal Year Ended September 24, 2022 (excerpted)

EXHIBIT A

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EXHIBIT B

From: David Cho
Sent: Thursday, August 17, 2023 11:52 AM
To: Mark Kachner; Jeffrey Seddon; Jared Bunker; Carson Olsheski; Benjamin Luehrs
Cc: bpalapura@potteranderson.com; dmoore@potteranderson.com; Greenfield, Leon; Vote, Dominic; Ford, Mark; Milici, Jennifer; Apple Masimo Service; WHMasimoAntitrustService@wilmerhale.com; Knobbe.MasimoDE; Jack Phillips; Megan C. Haney; Payson LeMeilleur
Subject: RE: Apple v. Masimo (1377, 1378) - Apple's document production

Mark,

Apple anticipates producing [REDACTED] for the Apple Watch by end of the month. Apple does not have a U.S. version.

Apple also anticipates producing updates to the sales data by end of the month. The updates will include cost data. Additionally, while we disagree that worldwide data is relevant to Masimo's attempt to prove damages for patent infringement, in the interest of avoiding an unnecessary dispute, Apple will also produce revenue/unit/cost data on a worldwide basis.

Apple will produce the sales data for SE and SE 2d. Apple has recently produced [REDACTED] and will supplement the production if needed.

Regards,
David

David Cho

Desmarais LLP

1899 Pennsylvania Ave. NW, Suite 400

Washington, DC 20006

T: (202) 451-4922

From: Mark Kachner <Mark.Kachner@knobbe.com>

Sent: Tuesday, August 15, 2023 5:57 PM

To: Jeffrey Seddon <JSeddon@desmaraisllp.com>; Jared Bunker <Jared.Bunker@knobbe.com>; Carson Olsheski <COlsheski@desmaraisllp.com>; Benjamin Luehrs <BLuehrs@desmaraisllp.com>

Cc: bpalapura@potteranderson.com; dmoore@potteranderson.com; Greenfield, Leon <Leon.Greenfield@wilmerhale.com>; Vote, Dominic <Dominic.Vote@wilmerhale.com>; Ford, Mark <Mark.Ford@wilmerhale.com>; Milici, Jennifer <Jennifer.Milici@wilmerhale.com>; Apple Masimo Service <AppleMasimoService@desmaraisllp.com>; Knobbe.MasimoDE <Knobbe.MasimoDE@knobbe.com>; Jack Phillips <JCP@PMHDELaw.com>; Megan C. Haney <mch@PMHDELaw.com>; Payson LeMeilleur <Payson.LeMeilleur@knobbe.com>

Subject: [Ext] Apple v. Masimo (1377, 1378) - Apple's document production

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Report or Mark as Safe

Jeff,

I'm writing to follow-up on Apple's production and updated production of certain financial data and related documents.

Apple previously confirmed it will produce updated [REDACTED]. Please let us know when Apple expects to make this production. Masimo also requested [REDACTED]. Please confirm Apple is searching and will produce [REDACTED].

Next, we discussed issues with Apple's supplemental watch sales data more than a month ago. Please confirm Apple is supplementing APL-DEL00027954 (which is limited to U.S. sales) to include cost data. Please also confirm Apple will supplement APL-DEL00027954 and include revenue/unit/cost data for the Series SE and Series SE 2d generation models, which were sold over the same time period as the other watches included in APL-DEL00027954. Such data is responsive at least to RFP 72. Masimo also previously requested that Apple provide this revenue/unit/cost data on a worldwide basis as well. Please confirm Apple will produce worldwide revenue/unit/cost data.

Finally, please confirm Apple is supplementing its production of [REDACTED], similar to APL-MAS_00158639.

If Apple has any issues producing any of these documents, please let me know your availability to meet and confer this week to discuss.

Regards, Mark

Mark Kachner

Partner

Mark.Kachner@knobbe.com

310-407-3472 Direct

Knobbe Martens

1925 Century Park East, Suite 400

Los Angeles, CA 90067

www.knobbe.com/mark-kachner

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EXHIBIT C

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EXHIBIT D

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EXHIBIT E

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EXHIBIT F

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EXHIBIT G

Buy Apple Watch Series 8

\$429.00 or \$35.75/mo. for 12 mo.*

Store Mac iPad iPhone Watch Vision AirPods TV & Home Entertainment Accessories Support

Get \$50-\$105 for your trade-in with Apple. ⓘ

Get 3% Daily Cash back with Apple Card. ⓘ



Case. Let's start with your material and finish.

Aluminum From \$399
Choose w/ GPS or GPS + Cellular for 12 mo.*
Matte finish with an ion-X strengthened glass display.

Finish - (PRODUCT)RED



Stainless Steel From \$699
Comes with GPS + Cellular for 12 mo.*
Polished finish with a durable sapphire crystal display.

Need help choosing a case material? ⓘ
Learn about differences in weight, finishes, and more.

Case size. Pick the one that suits you.

41mm From \$399 or \$33.25/mo. for 12 mo.*

45mm From \$429 or \$35.75/mo. for 12 mo.*

Need help choosing a size? ⓘ
Explore the differences in screen size and case weight.

Connectivity. Stay connected with or without your phone nearby.

GPS From \$429
Make calls and send messages with your iPhone nearby.

GPS + Cellular From \$529
Make calls and send messages with just your Apple Watch. Works with Family Setup.

Not sure which option is right for you? ⓘ
Learn more about cellular connectivity and adding your watch to your carrier plan.

Supported carriers



Band. Discover different styles and pick your favorite.

Sport Band \$429 or \$35.75/mo. for 12 mo.*
Durable, Pin-and-Tuck Closure, Adjustable

Color - Red



Braided Solo Loop \$479 or \$39.92/mo. for 12 mo.*
Stretchable, Closure-Free, Precise Fit

Sport Loop \$429 or \$35.75/mo. for 12 mo.*
Lightweight, Hook-and-Loop Closure, Infinitely Adjustable

Need help choosing a band? ⓘ

Compare the differences in material, fit, style, and features.

Band size. Find the right fit.

S/M

Band fits 140–190mm wrists.

M/L

Band fits 190–210mm wrists.

**Apple Trade In. Get \$60–\$165
in credit toward your new
Apple Watch.⁵⁴**

Add a trade-in

Answer a few questions to get your estimate.

No trade-in

How does trade-in work?
Save on your next device or recycle for free.
We'll show you how in three simple steps.

**Payment options. Select the
one that works for you.**

Buy

- Pay the total amount today
- Get 3% Daily Cash back when you pay with Apple Card

Finance

Apple Card Monthly Installments

- Financed at 0% APR when you choose to check out with Apple Card Monthly Installments⁵⁵
- Get 3% Daily Cash back up front on the full cost of your Apple Watch

How do monthly installments work?
Choose Finance to pay over time with your Apple Card using Apple Card Monthly Installments. Get 3% Daily Cash back up front and 0% APR.⁵⁶

**AppleCare+ coverage. Protect
your new Apple Watch.**

Add AppleCare+

- Unlimited repairs for accidental damage protection⁵⁷
- Apple-certified service and support
- Express Replacement Service – we'll ship you a replacement so you don't have to wait for a repair
- 24/7 priority access to Apple experts



No AppleCare+



How does AppleCare+ work?
It provides unlimited repairs for accidental damage protection, priority access to Apple experts, and more. See what's included.

Apple Watch Series 8 GPS,
45mm (PRODUCT)RED
Aluminum Case with

(PRODUCT)RED Sport Band - M/L

-  Order now. Pick up in store.
Mon, Sep 11 at Apple West 14th Street
-  Order by 8 p.m. Delivers to 10001
Within 2 hours from Store — \$9.00
Tomorrow — Free

\$429.00 or \$35.75/mo.
for 12 mo.*

[Continue](#)
















Need a moment?
Keep all your selections by saving this device to
Your Saved, then come back anytime and pick
up right where you left off.
[Save for later](#)

What's in the Box



As part of our efforts to reach our [environmental goals](#), Apple Watch does not include a power adapter. Included in the box is an Apple Watch Magnetic Fast Charger to USB-C Cable that supports fast charging and is compatible with USB-C power adapters and computer ports.

Which Apple Watch is right for you?

 Apple Watch Series 8 From \$399	 Apple Watch SE From \$249	 Apple Watch Ultra From \$799
45mm or 41mm case size 50m water resistant ¹ Swimproof ¹ — — Certified IP6X dust resistant — —	44mm or 40mm case size 50m water resistant ¹ Swimproof ¹ — — — — —	49mm case size 100m water resistant ² Swimproof and recreational diving to 40m ² EN13319 certification ³ Depth gauge with water temperature sensor Certified IP6X dust resistant Tested to MIL-STD 810H ⁴ Customizable Action button
 Always-On Retina display Up to 1000 nits brightness	 Retina display Up to 1000 nits brightness	 Always-On Retina display Up to 2000 nits brightness
 Blood Oxygen app ⁵ ECG app ⁶ High and low heart rate notifications Irregular rhythm notification ⁷ Cardio fitness notifications	 — — High and low heart rate notifications Irregular rhythm notification ⁷ Cardio fitness notifications	 Blood Oxygen app ⁵ ECG app ⁶ High and low heart rate notifications Irregular rhythm notification ⁷ Cardio fitness notifications
 Temperature sensing ⁸ Cycle Tracking with retrospective ovulation estimates ⁹	 — Cycle Tracking ⁸	 Temperature sensing ⁸ Cycle Tracking with retrospective ovulation estimates ⁹
 Emergency SOS ¹⁰ International emergency calling ¹¹ Fall Detection	 Emergency SOS ¹⁰ International emergency calling ¹¹ Fall Detection	 Emergency SOS ¹⁰ International emergency calling ¹¹ Fall Detection

Frequently Asked Questions

How do I find my band size?	▼
How do I customize my Apple Watch?	▼
What's the difference between GPS and GPS + Cellular?	▼
Which carriers support Apple Watch cellular service?	▼
Which iPhone models are compatible with Apple Watch?	▼
Is it easy to transfer my data and set up my new Apple Watch?	▼
How can I pay using Apple Card Monthly Installments?	▼
How does Apple Trade In work?	▼
What are my delivery options and when will I get my items?	▼
Can I return my Apple Watch?	▼

[illegible]

iPad	iCloud.com	Today at Apple	For Education	Environment
iPhone	Entertainment	Apple Care+	Apple and Education	Inclusion and Diversity
Watch	Apple One	Apple Store App	Shop for K-12	Privacy
Vision	Certified Refurbished	Apple Trade In	Shop for College	Racial Equity and Justice
AirPods	Apple Music	Financing	For Healthcare	Supplier Responsibility
TV & Home	Apple Arcade	Carrier Deals at Apple	Apple in Healthcare	About Apple
AirTag	Apple Fitness+	Order Status	Health on Apple Watch	Newsroom
Accessories	Apple News+	Shopping Help	Health Records on iPhone	Apple Leadership
Gift Cards	Apple Podcasts		For Government	Career Opportunities
Apple Wallet	Apple Books		Shop for Government	Investors
Wallet	App Store		Shop for Veterans and Military	Ethics & Compliance
Apple Card				Events
Apple Pay				Contact Apple
Apple Cash				

More ways to shop: Find an [Apple Store](#) or [other retailer](#) near you. Or call 1-800-MY-APPLE.

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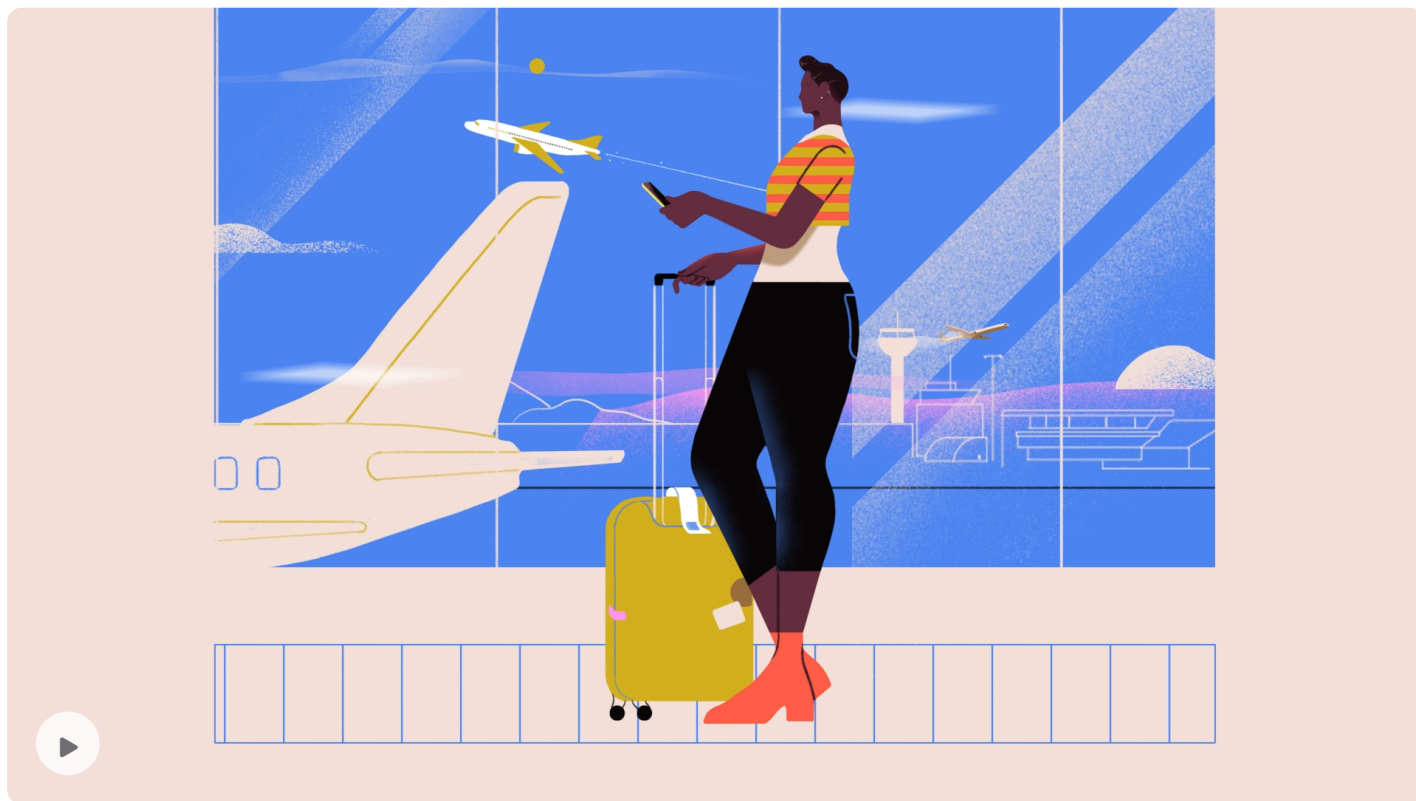
EXHIBIT H

PRESS RELEASE
May 31, 2023

App Store developers generated \$1.1 trillion in total billings and sales in the App Store ecosystem in 2022

More than 90 percent of billings and sales accrued solely to developers, without any commission paid to Apple

New study underscores the strength and resilience of the App Store ecosystem — with billings and sales facilitated by the App Store growing 29 percent year over year



A new study from Analysis Group takes a closer look at the key drivers behind the growth in the App Store ecosystem — including rebounding demand for sectors like travel and ride-hailing, and strong growth in advertising spend in apps like social media and retail apps.



CUPERTINO, CALIFORNIA — Apple today announced the App Store ecosystem facilitated \$1.1 trillion in developer billings and sales in 2022, building on developers' track record of strong, resilient growth, an [independent study by economists from Analysis Group](#) found. The App Store continues to create incredible opportunity for developers around the world, with more than 90 percent of the billings and sales accruing solely to developers and businesses of all sizes — without any commission paid to Apple. Additionally, new analysis from the Progressive Policy Institute found the iOS app economy now supports more than 4.8 million jobs across the U.S. and Europe, with approximately 2.4 million in each region.

Today, developers on the App Store have more ways than ever to monetize their apps and build successful businesses. The economists from Analysis Group estimate that last year, App Store developers generated \$910 billion in total billings and sales from the sale of physical goods and services, \$109 billion from in-app advertising, and \$104 billion for digital goods and services.

"We've never been more hopeful about — or more inspired by — the incredible community of developers around the world," said Tim Cook, Apple's CEO. "As this report shows, the App Store is a vibrant, innovative marketplace where opportunity thrives, and we're as committed as ever to investing in developers' success and the app economy's future."

The Analysis Group study takes a closer look at the key drivers behind the growth in the App Store ecosystem — including rebounding demand for sectors like travel and ride-hailing, and strong growth in advertising spend in apps like social media and retail apps.



Developer billings and sales increased by 27 percent between 2019 and 2020; 27 percent between 2020 and 2021; and 29 percent between 2021 and 2022. Small developers in particular found tremendous success on the App Store — outpacing larger developers by [growing their revenue by 71 percent between 2020 and 2022](#). The economists at Analysis Group believe growth rates of this

kind are positive indicators, consistent with a flourishing marketplace full of dynamism, innovation, and competition.

All told, since 2019, U.S. developers' billings and sales have increased by more than 80 percent. In Europe, developers' billings and sales since 2019 saw an above average increase of 116 percent.

The App Store's engine of commerce provides Apple developers around the world with a global distribution platform that supports more than 195 local payment methods and 44 currencies across 175 storefronts. It also allowed developers to reach users across borders: In 2022, 54 percent of downloads occurred in storefronts outside of developers' home countries. The App Store attracted over 650 million average weekly visitors worldwide in 2022, according to new data from Apple. And users downloaded and redownloaded apps an average of more than 747 million and 1.5 billion times each week in 2022, respectively.

Strong Growth in Billings and Sales Across App Categories

Released earlier today, the new study from economists at Analysis Group, titled "The Continued Growth and Resilience of Apple's App Store Ecosystem," draws from a wide range of economic data that speaks to developers' growth on the App Store. The study found developers' billings and sales facilitated by the App Store grew across a wide variety of categories.

For example, as restrictions eased in many parts of the world, app categories like travel and ride-hailing saw demand rebound significantly. Travel sales made on iOS apps increased by 84 percent in 2022, alongside a 45 percent increase in sales on ride-hailing apps.



The App Store Turns Fifteen

Fifteen years since its launch in 2008, the App Store has never offered developers more opportunities, or Apple users more apps that enrich their lives. That success comes as Apple continues investing in the future of the app economy. By offering a safe and trusted marketplace for users, and powerful tools that help developers make great apps, the App Store has created an incredible economic opportunity for global app creators.

All told, iOS developers have earned more than \$320 billion on the App Store from 2008 to 2022. The Analysis Group study found that iOS users have downloaded apps more than 370 billion times from 2008 to 2022. And today, the App Store has more than 123 times as many apps — nearly 1.8 million — to choose from, compared to the thousands available on the App Store at the end of 2008.



Today's developers also have more options to monetize their businesses, including in-app purchases and subscriptions; more developer tools, including over 40 SDKs and 250,000 APIs; and educational resources like Apple's Developer Academies, Entrepreneur Camp, and other programs that teach coding and business development skills.

The App Store's technologies and services support a wide range of app businesses, including developers who sell physical goods and services. That includes integration with Apple Pay, biometric authentication with Face ID and Touch ID, account security, and other technologies that help developers securely connect with Apple users.

The App Store has also remained a safe and trusted marketplace for users, thanks to Apple's rigorous App Review process and robust privacy and security protections. In 2022, the App Store blocked more than \$2 billion in fraudulent transactions — and rejected 1.7 million app submissions for failing to meet privacy, security, and quality standards. Recent innovations, like App Tracking Transparency and Privacy Nutrition Labels, have empowered users with even more information on how their apps use their data.

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About Apple

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, Mac, Apple Watch, and Apple TV. Apple's five software platforms — iOS, iPadOS, macOS, watchOS, and tvOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay, and iCloud. Apple's more than 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

Press Contacts

D'Nara Cush

Apple
d_cush@apple.com

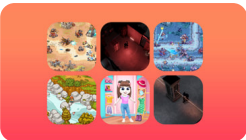
Peter Ajemian

Apple
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Apple Media Helpline

media.help@apple.com

Latest News



UPDATE

Apple Arcade launches 4 new games and 40+ updates in September

September 5, 2023



UPDATE

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August 30, 2023



APPLE STORIES

A new generation preserves tribal land and culture in America's national parks

August 24, 2023



The latest news and updates, direct from Apple.

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Apple > Newsroom > Developers generated \$1.1 trillion in the App Store ecosystem in 2022

Shop and Learn

- Store
- Mac
- iPad
- iPhone
- Watch
- Vision
- AirPods
- TV & Home
- AirTag
- Accessories
- Gift Cards
- Apple Wallet
- Wallet
- Apple Card
- Apple Pay
- Apple Cash

Account

- Manage Your Apple ID
- Apple Store Account
- iCloud.com
- Entertainment
- Apple One
- Apple TV+
- Apple Music
- Apple Arcade
- Apple Fitness+
- Apple News+
- Apple Podcasts
- Apple Books
- App Store

Apple Store

- Find a Store
- Genius Bar
- Today at Apple
- Apple Camp
- Apple Store App
- Certified Refurbished
- Apple Trade In
- Financing
- Carrier Deals at Apple
- Order Status
- Shopping Help

For Business

- Apple and Business
- Shop for Business

For Education

- Apple and Education
- Shop for K-12
- Shop for College

For Healthcare

- Apple in Healthcare
- Health on Apple Watch
- Health Records on iPhone

For Government

- Shop for Government
- Shop for Veterans and Military

Apple Values

- Accessibility
- Education
- Environment
- Inclusion and Diversity
- Privacy
- Racial Equity and Justice
- Supplier Responsibility

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EXHIBIT I

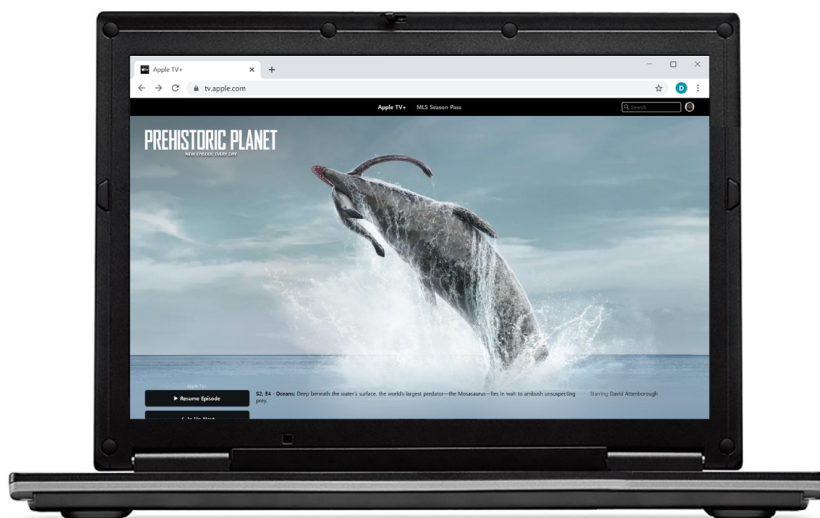
How to Watch Apple TV

Communities Contact Support

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Watch in a web browser



Stream *Prehistoric Planet* on the Apple TV app [↗](#)

On a Windows PC (including Microsoft Surface), Chrome OS device, or Android device, you can watch Apple TV+ and MLS Season Pass in the Chrome and Firefox web browsers.

How to watch in a web browser

- Go to tv.apple.com to subscribe to and watch Apple TV+ or MLS Season Pass in a web browser.

If you already have an Apple ID, you can sign in to start your free trial. You may be asked to add or verify a credit card to ensure the account holder has authorized viewing on the web. For more information, see the Apple Support article [Parental controls for Apple TV+ on the web](#).

Note: If you experience difficulties with auto-play functionality while watching Apple TV+ or MLS Season Pass in a web browser, try turning off any ad blocker extensions or apps you've installed.

Subscriptions required for Apple TV+ (includes Friday Night Baseball) and MLS Season Pass. Not all features and content are available in all countries or regions, or on all streaming devices.

Helpful?

Yes

No

[Previous](#)
Mac

[Support](#) [How to Watch Apple TV](#) [Watch in a web browser](#)

EXHIBIT J

Join Apple Music on Android

Subscribe to Apple Music on your Android device to stream millions of songs. Get exclusive playlists and recommendations for music you'll love. And listen across your other devices with the Apple Music app.

Get the Apple Music app

To subscribe to Apple Music, download the Apple Music app on an Android phone or tablet with Android 5.0 (Lollipop) or later, or a Chromebook that supports Android apps.

[Download on Google Play](#)

If you don't have Google Play in your country or region, you can [download the Apple Music app from Apple](#).


Then follow these steps to subscribe

1. Open the Apple Music app on your Android device.
2. The first time you open the app, you'll see a "Welcome to Apple Music" message. If you don't see this message, tap Listen Now at the bottom of your screen. [Already subscribe to Apple Music?](#)
3. Tap the trial offer (one trial per person or family).
4. Choose an individual subscription, [family subscription](#) to share with up to six people, or [student subscription](#).
5. If you have an Apple ID, tap Use Existing Apple ID and sign in. If you don't have an Apple ID, tap Create New Apple ID, then follow the steps. If you're not sure if you have an Apple ID, [we can help you find out](#).
6. Confirm your billing information and add a valid payment method.
7. Tap Join Apple Music.

After you subscribe to Apple Music, [you can change your subscription to a family, student, individual, or annual plan](#).

Learn more [about Apple Music and pricing](#) and if [Apple Music is available in your country or region](#).

If you already subscribe to Apple Music

1. On your Android device, [download the Apple Music app from Google Play](#).
2. Open the Apple Music app.
3. If you see an offer for a trial, tap Sign In in the upper-right corner. Or tap the More button , then tap Sign In.
4. Enter the same Apple ID and password that you use with Apple Music.

Learn how to [sign in to Apple Music on your other devices with the Apple Music app](#).

Learn more

- [Discover all the ways you can listen to Apple Music on your Android devices.](#)
- [Use the Apple Music app](#) to manage your music library, discover new music to add to your collection, and so much more.
- Learn how to [view or cancel your Apple Music subscription](#).
- [Subscribe to Apple Music on your iPhone, iPad, iPod touch, Mac, or PC.](#)

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Published Date: March 08, 2021

Helpful?

Yes

No

Start a discussion in Apple Support Communities

Ask other users about this article

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[See all questions on this article >](#)

Support

[Join Apple Music on Android](#)

EXHIBIT K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 24, 2022

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 001-36743



Apple Inc.

(Exact name of Registrant as specified in its charter)

California

(State or other jurisdiction
of incorporation or organization)

One Apple Park Way

Cupertino, California

(Address of principal executive offices)

94-2404110

(I.R.S. Employer Identification No.)

95014

(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	AAPL	The Nasdaq Stock Market LLC
1.000% Notes due 2022	—	The Nasdaq Stock Market LLC
1.375% Notes due 2024	—	The Nasdaq Stock Market LLC
0.000% Notes due 2025	—	The Nasdaq Stock Market LLC
0.875% Notes due 2025	—	The Nasdaq Stock Market LLC
1.625% Notes due 2026	—	The Nasdaq Stock Market LLC
2.000% Notes due 2027	—	The Nasdaq Stock Market LLC
1.375% Notes due 2029	—	The Nasdaq Stock Market LLC
3.050% Notes due 2029	—	The Nasdaq Stock Market LLC
0.500% Notes due 2031	—	The Nasdaq Stock Market LLC
3.600% Notes due 2042	—	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐
20280

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of March 25, 2022, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$2,830,067,000,000. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

15,908,118,000 shares of common stock were issued and outstanding as of October 14, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The Registrant's definitive proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Apple Inc.

Form 10-K

For the Fiscal Year Ended September 24, 2022

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This Annual Report on Form 10-K (“Form 10-K”) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part I, Item 1 of this Form 10-K under the heading “Business” and Part II, Item 7 of this Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. For example, statements in this Form 10-K regarding the potential future impact of the COVID-19 pandemic on the Company’s business and results of operations are forward-looking statements. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading “Risk Factors.” The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Unless otherwise stated, all information presented herein is based on the Company’s fiscal calendar, and references to particular years, quarters, months or periods refer to the Company’s fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Each of the terms the “Company” and “Apple” as used herein refers collectively to Apple Inc. and its wholly owned subsidiaries, unless otherwise stated.

PART I

Item 1. Business

Company Background

The Company designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories, and sells a variety of related services. The Company’s fiscal year is the 52- or 53-week period that ends on the last Saturday of September.

Products

iPhone

iPhone[®] is the Company’s line of smartphones based on its iOS operating system. The iPhone line includes iPhone 14 Pro, iPhone 14, iPhone 13, iPhone SE[®], iPhone 12 and iPhone 11.

Mac

Mac[®] is the Company’s line of personal computers based on its macOS[®] operating system. The Mac line includes laptops MacBook Air[®] and MacBook Pro[®], as well as desktops iMac[®], Mac mini[®], Mac Studio[™] and Mac Pro[®].

iPad

iPad[®] is the Company’s line of multipurpose tablets based on its iPadOS[®] operating system. The iPad line includes iPad Pro[®], iPad Air[®], iPad and iPad mini[®].

Wearables, Home and Accessories

Wearables, Home and Accessories includes:

- AirPods[®], the Company’s wireless headphones, including AirPods, AirPods Pro[®] and AirPods Max[™];
- Apple TV[®], the Company’s media streaming and gaming device based on its tvOS[®] operating system, including Apple TV 4K and Apple TV HD;
- Apple Watch[®], the Company’s line of smartwatches based on its watchOS[®] operating system, including Apple Watch Ultra[™], Apple Watch Series 8 and Apple Watch SE[®]; and
- Beats[®] products, HomePod mini[®] and accessories.

Services

Advertising

The Company's advertising services include various third-party licensing arrangements and the Company's own advertising platforms.

AppleCare

The Company offers a portfolio of fee-based service and support products under the AppleCare[®] brand. The offerings provide priority access to Apple technical support, access to the global Apple authorized service network for repair and replacement services, and in many cases additional coverage for instances of accidental damage and/or theft and loss, depending on the country and type of product.

Cloud Services

The Company's cloud services store and keep customers' content up-to-date and available across multiple Apple devices and Windows personal computers.

Digital Content

The Company operates various platforms, including the App Store[®], that allow customers to discover and download applications and digital content, such as books, music, video, games and podcasts.

The Company also offers digital content through subscription-based services, including Apple Arcade[®], a game subscription service; Apple Fitness+SM, a personalized fitness service; Apple Music[®], which offers users a curated listening experience with on-demand radio stations; Apple News+[®], a subscription news and magazine service; and Apple TV+[®], which offers exclusive original content and live sports.

Payment Services

The Company offers payment services, including Apple Card[®], a co-branded credit card, and Apple Pay[®], a cashless payment service.

Markets and Distribution

The Company's customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets. The Company sells its products and resells third-party products in most of its major markets directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force. The Company also employs a variety of indirect distribution channels, such as third-party cellular network carriers, wholesalers, retailers and resellers. During 2022, the Company's net sales through its direct and indirect distribution channels accounted for 38% and 62%, respectively, of total net sales.

Competition

The markets for the Company's products and services are highly competitive, and are characterized by aggressive price competition and resulting downward pressure on gross margins, frequent introduction of new products and services, short product life cycles, evolving industry standards, continual improvement in product price and performance characteristics, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses. Many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures, and by imitating the Company's products and infringing on its intellectual property.

The Company's ability to compete successfully depends heavily on ensuring the continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Company designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. Principal competitive factors important to the Company include price, product and service features (including security features), relative price and performance, product and service quality and reliability, design innovation, a strong third-party software and accessories ecosystem, marketing and distribution capability, service and support, and corporate reputation.

The Company is focused on expanding its market opportunities related to smartphones, personal computers, tablets, wearables and accessories, and services. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software, and service offerings with large customer bases. In addition, some of the Company's competitors have broader product lines, lower-priced products and a larger installed base of active devices. Competition has been particularly intense as competitors have aggressively cut prices and lowered product margins. Certain competitors have the resources, experience or cost structures to provide products at little or no profit or even at a loss. The Company's services compete with business models that provide content to users for free and use illegitimate means to obtain third-party digital content and applications. The Company faces significant competition as competitors imitate the Company's product features and applications within their products, or collaborate to offer integrated solutions that are more competitive than those they currently offer.

Supply of Components

Although most components essential to the Company's business are generally available from multiple sources, certain components are currently obtained from single or limited sources. The Company also competes for various components with other participants in the markets for smartphones, personal computers, tablets, wearables and accessories. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant commodity pricing fluctuations.

The Company uses some custom components that are not commonly used by its competitors, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, may be affected if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements.

The Company has entered into agreements for the supply of many components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in Asia, with some Mac computers manufactured in the U.S. and Ireland.

Research and Development

Because the industries in which the Company competes are characterized by rapid technological advances, the Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of competitive products, services and technologies to the marketplace. The Company continues to develop new technologies to enhance existing products and services, and to expand the range of its offerings through research and development ("R&D"), licensing of intellectual property and acquisition of third-party businesses and technology.

Intellectual Property

The Company currently holds a broad collection of intellectual property rights relating to certain aspects of its hardware devices, accessories, software and services. This includes patents, designs, copyrights, trademarks and other forms of intellectual property rights in the U.S. and various foreign countries. Although the Company believes the ownership of such intellectual property rights is an important factor in differentiating its business and that its success does depend in part on such ownership, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel.

The Company regularly files patent, design, copyright and trademark applications to protect innovations arising from its research, development, design and marketing, and is currently pursuing thousands of applications around the world. Over time, the Company has accumulated a large portfolio of issued and registered intellectual property rights around the world. No single intellectual property right is solely responsible for protecting the Company's products and services. The Company believes the duration of its intellectual property rights is adequate relative to the expected lives of its products and services.

In addition to Company-owned intellectual property, many of the Company's products and services are designed to include intellectual property owned by third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, processes and services. While the Company has generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all.

Business Seasonality and Product Introductions

The Company has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product and service introductions can significantly impact net sales, cost of sales and operating expenses. The timing of product introductions can also impact the Company's net sales to its indirect distribution channels as these channels are filled with new inventory following a product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction.

Human Capital

The Company believes it has a talented, motivated and dedicated team, and works to create an inclusive, safe and supportive environment for all of its team members. As of September 24, 2022, the Company had approximately 164,000 full-time equivalent employees.

Workplace Practices and Policies

The Company is an equal opportunity employer committed to inclusion and diversity and to providing a workplace free of harassment or discrimination.

Compensation and Benefits

The Company believes that compensation should be competitive and equitable, and should enable employees to share in the Company's success. The Company recognizes its people are most likely to thrive when they have the resources to meet their needs and the time and support to succeed in their professional and personal lives. In support of this, the Company offers a wide variety of benefits for employees around the world and invests in tools and resources that are designed to support employees' individual growth and development.

Inclusion and Diversity

The Company remains committed to its vision to build and sustain a more inclusive workforce that is representative of the communities it serves. The Company continues to work to increase diverse representation at every level, foster an inclusive culture, and support equitable pay and access to opportunity for all employees.

Engagement

The Company believes that open and honest communication among team members, managers and leaders helps create an open, collaborative work environment where everyone can contribute, grow and succeed. Team members are encouraged to come to their managers with questions, feedback or concerns, and the Company conducts surveys that gauge employee sentiment in areas like career development, manager performance and inclusivity.

Health and Safety

The Company is committed to protecting its team members everywhere it operates. The Company identifies potential workplace risks in order to develop measures to mitigate possible hazards. The Company supports employees with general safety, security and crisis management training, and by putting specific programs in place for those working in potentially high-hazard environments. Additionally, the Company works to protect the safety and security of its team members, visitors and customers through its global security team. The Company has also taken additional health and safety measures during the COVID-19 pandemic.

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the U.S. Securities and Exchange Commission (the "SEC"). Such reports and other information filed by the Company with the SEC are available free of charge at investor.apple.com/investor-relations/sec-filings/default.aspx when such reports are available on the SEC's website. The Company periodically provides certain information for investors on its corporate website, www.apple.com, and its investor relations website, investor.apple.com. This includes press releases and other information about financial performance, information on environmental, social and governance matters, and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-K is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

Item 1A. Risk Factors

The Company's business, reputation, results of operations, financial condition and stock price can be affected by a number of factors, whether currently known or unknown, including those described below. When any one or more of these risks materialize from time to time, the Company's business, reputation, results of operations, financial condition and stock price can be materially and adversely affected.

Because of the following factors, as well as other factors affecting the Company's results of operations and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. This discussion of risk factors contains forward-looking statements.

This section should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Macroeconomic and Industry Risks

The Company's operations and performance depend significantly on global and regional economic conditions and adverse economic conditions can materially adversely affect the Company's business, results of operations and financial condition.

The Company has international operations with sales outside the U.S. representing a majority of the Company's total net sales. In addition, the Company's global supply chain is large and complex and a majority of the Company's supplier facilities, including manufacturing and assembly sites, are located outside the U.S. As a result, the Company's operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations can adversely impact consumer confidence and spending and materially adversely affect demand for the Company's products and services. In addition, consumer confidence and spending can be materially adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, energy shortages and cost increases, labor and healthcare costs and other economic factors.

In addition to an adverse impact on demand for the Company's products, uncertainty about, or a decline in, global or regional economic conditions can have a significant impact on the Company's suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners. Potential effects include financial instability; inability to obtain credit to finance operations and purchases of the Company's products; and insolvency.

A downturn in the economic environment can also lead to increased credit and collectibility risk on the Company's trade receivables; the failure of derivative counterparties and other financial institutions; limitations on the Company's ability to issue new debt; reduced liquidity; and declines in the fair value of the Company's financial instruments. These and other economic factors can materially adversely affect the Company's business, results of operations, financial condition and stock price.

The Company's business, results of operations, financial condition and stock price have been adversely affected and could in the future be materially adversely affected by the COVID-19 pandemic.

COVID-19 has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has at times significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets.

The COVID-19 pandemic and the measures taken by many countries in response have adversely affected and could in the future materially adversely impact the Company's business, results of operations, financial condition and stock price. During the course of the pandemic, certain of the Company's component suppliers and manufacturing and logistical service providers have experienced disruptions, resulting in supply shortages that affected sales worldwide, and similar disruptions could occur in the future. Public safety measures can also adversely impact consumer demand for the Company's products and services in affected areas.

The Company continues to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The extent to which the COVID-19 pandemic may impact the Company's operational and financial performance remains uncertain and will depend on many factors outside the Company's control, including the timing, extent, trajectory and duration of the pandemic, the emergence of new variants, the development, availability, distribution and effectiveness of vaccines and treatments, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products and services. Additional future impacts on the Company may include material adverse effects on demand for the Company's products and services, the Company's supply chain and sales and distribution channels, the Company's ability to execute its strategic plans, and the Company's profitability and cost structure.

To the extent the COVID-19 pandemic adversely affects the Company's business, results of operations, financial condition and stock price, it may also have the effect of heightening many of the other risks described in this Part I, Item 1A of this Form 10-K.

The Company's business can be impacted by political events, trade and other international disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions.

Political events, trade and other international disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions can harm or disrupt international commerce and the global economy, and could have a material adverse effect on the Company and its customers, suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners.

The Company has a large, global business with sales outside the U.S. representing a majority of the Company's total net sales, and the Company believes that it generally benefits from growth in international trade. Substantially all of the Company's manufacturing is performed in whole or in part by outsourcing partners located primarily in Asia, including China mainland, India, Japan, South Korea, Taiwan and Vietnam. Trade policies and disputes and other international conflicts can result in tariffs, sanctions and other measures that restrict international trade, and can materially adversely affect the Company's business, particularly if these measures occur in regions where the Company derives a significant portion of its revenues and/or has significant supply chain operations. For example, tensions between the U.S. and China have led to a series of tariffs being imposed by the U.S. on imports from China mainland, as well as other business restrictions. Tariffs increase the cost of the Company's products and the components and raw materials that go into making them. These increased costs can adversely impact the gross margin that the Company earns on its products. Tariffs can also make the Company's products more expensive for customers, which could make the Company's products less competitive and reduce consumer demand. Countries may also adopt other measures, such as controls on imports or exports of goods, technology or data, that could adversely impact the Company's operations and supply chain and limit the Company's ability to offer its products and services as designed. These measures can require the Company to take various actions, including changing suppliers, restructuring business relationships, and ceasing to offer third-party applications on its platforms. Changing the Company's operations in accordance with new or changed trade restrictions can be expensive, time-consuming and disruptive to the Company's operations. Such restrictions can be announced with little or no advance notice and the Company may not be able to effectively mitigate all adverse impacts from such measures. If disputes and conflicts further escalate in the future, actions by governments in response could be significantly more severe and restrictive and could materially adversely affect the Company's business. Political uncertainty surrounding trade and other international disputes could also have a negative effect on consumer confidence and spending, which could adversely affect the Company's business.

Many of the Company's operations and facilities, as well as critical business operations of the Company's suppliers and contract manufacturers, are in locations that are prone to earthquakes and other natural disasters. In addition, such operations and facilities are subject to the risk of interruption by fire, power shortages, nuclear power plant accidents and other industrial accidents, terrorist attacks and other hostile acts, ransomware and other cybersecurity attacks, labor disputes, public health issues, including pandemics such as the COVID-19 pandemic, and other events beyond the Company's control. Global climate change is resulting in certain types of natural disasters occurring more frequently or with more intense effects. Such events can make it difficult or impossible for the Company to manufacture and deliver products to its customers, create delays and inefficiencies in the Company's supply and manufacturing chain, and result in slowdowns and outages to the Company's service offerings. Following an interruption to its business, the Company can require substantial recovery time, experience significant expenditures to resume operations, and lose significant sales. Because the Company relies on single or limited sources for the supply and manufacture of many critical components, a business interruption affecting such sources would exacerbate any negative consequences to the Company.

The Company's operations are also subject to the risks of industrial accidents at its suppliers and contract manufacturers. While the Company's suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in serious injuries or loss of life, disruption to the Company's business, and harm to the Company's reputation. Major public health issues, including pandemics such as the COVID-19 pandemic, have adversely affected, and could in the future materially adversely affect, the Company due to their impact on the global economy and demand for consumer products; the imposition of protective public safety measures, such as stringent employee travel restrictions and limitations on freight services and the movement of products between regions; and disruptions in the Company's supply chain and sales and distribution channels, resulting in interruptions of the supply of current products and delays in production ramps of new products.

While the Company maintains insurance coverage for certain types of losses, such insurance coverage may be insufficient to cover all losses that may arise.

Global markets for the Company's products and services are highly competitive and subject to rapid technological change, and the Company may be unable to compete effectively in these markets.

The Company's products and services are offered in highly competitive global markets characterized by aggressive price competition and resulting downward pressure on gross margins, frequent introduction of new products and services, short product life cycles, evolving industry standards, continual improvement in product price and performance characteristics, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses.

The Company's ability to compete successfully depends heavily on ensuring the continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Company designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. As a result, the Company must make significant investments in R&D. There can be no assurance these investments will achieve expected returns, and the Company may not be able to develop and market new products and services successfully.

The Company currently holds a significant number of patents, trademarks and copyrights and has registered, and applied to register, additional patents, trademarks and copyrights. In contrast, many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures, and by imitating the Company's products and infringing on its intellectual property. Effective intellectual property protection is not consistently available in every country in which the Company operates. If the Company is unable to continue to develop and sell innovative new products with attractive margins or if competitors infringe on the Company's intellectual property, the Company's ability to maintain a competitive advantage could be materially adversely affected.

The Company has a minority market share in the global smartphone, personal computer and tablet markets. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships. In addition, some of the Company's competitors have broader product lines, lower-priced products and a larger installed base of active devices. Competition has been particularly intense as competitors have aggressively cut prices and lowered product margins. Certain competitors have the resources, experience or cost structures to provide products at little or no profit or even at a loss. Some of the markets in which the Company competes have from time to time experienced little to no growth or contracted overall.

Additionally, the Company faces significant competition as competitors imitate the Company's product features and applications within their products or collaborate to offer solutions that are more competitive than those they currently offer. The Company also expects competition to intensify as competitors imitate the Company's approach to providing components seamlessly within their offerings or work collaboratively to offer integrated solutions.

The Company's services also face substantial competition, including from companies that have significant resources and experience and have established service offerings with large customer bases. The Company competes with business models that provide content to users for free. The Company also competes with illegitimate means to obtain third-party digital content and applications.

The Company's business, results of operations and financial condition depend substantially on the Company's ability to continually improve its products and services to maintain their functional and design advantages. There can be no assurance the Company will be able to continue to provide products and services that compete effectively.

Business Risks

To remain competitive and stimulate customer demand, the Company must successfully manage frequent introductions and transitions of products and services.

Due to the highly volatile and competitive nature of the markets and industries in which the Company competes, the Company must continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and services, and successfully manage the transition to these new and upgraded products and services. The success of new product and service introductions depends on a number of factors, including timely and successful development, market acceptance, the Company's ability to manage the risks associated with production ramp-up issues, the availability of application software for the Company's products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risk that new products and services may have quality or other defects or deficiencies. There can be no assurance the Company will successfully manage future introductions and transitions of products and services.

The Company depends on component and product manufacturing and logistical services provided by outsourcing partners, many of which are located outside of the U.S.

Substantially all of the Company's manufacturing is performed in whole or in part by outsourcing partners located primarily in Asia, including China mainland, India, Japan, South Korea, Taiwan and Vietnam, and a significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. Changes or additions to the Company's supply chain require considerable time and resources and involve significant risks and uncertainties. The Company has also outsourced much of its transportation and logistics management. While these arrangements can lower operating costs, they also reduce the Company's direct control over production and distribution. Such diminished control has from time to time and may in the future have an adverse effect on the quality or quantity of products manufactured or services provided, or adversely affect the Company's flexibility to respond to changing conditions. Although arrangements with these partners may contain provisions for product defect expense reimbursement, the Company generally remains responsible to the consumer for warranty and out-of-warranty service in the event of product defects and experiences unanticipated product defect liabilities from time to time. While the Company relies on its partners to adhere to its supplier code of conduct, violations of the supplier code of conduct occur from time to time and can materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company relies on single-source outsourcing partners in the U.S., Asia and Europe to supply and manufacture many components, and on outsourcing partners primarily located in Asia, for final assembly of substantially all of the Company's hardware products. Any failure of these partners to perform can have a negative impact on the Company's cost or supply of components or finished goods. In addition, manufacturing or logistics in these locations or transit to final destinations can be disrupted for a variety of reasons, including natural and man-made disasters, information technology system failures, commercial disputes, armed conflict, economic, business, labor, environmental, public health or political issues, or international trade disputes.

The Company has invested in manufacturing process equipment, much of which is held at certain of its outsourcing partners, and has made prepayments to certain of its suppliers associated with long-term supply agreements. While these arrangements help ensure the supply of components and finished goods, if these outsourcing partners or suppliers experience severe financial problems or other disruptions in their business, such continued supply can be reduced or terminated, and the recoverability of manufacturing process equipment or prepayments can be negatively impacted.

Future operating results depend upon the Company's ability to obtain components in sufficient quantities on commercially reasonable terms.

Because the Company currently obtains certain components from single or limited sources, the Company is subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations that can materially adversely affect the Company's business, results of operations and financial condition. For example, the global semiconductor industry is experiencing high demand and shortages of supply, which has adversely affected, and could materially adversely affect, the Company's ability to obtain sufficient quantities of components and products on commercially reasonable terms or at all. While the Company has entered into agreements for the supply of many components, there can be no assurance the Company will be able to extend or renew these agreements on similar terms, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting the Company's ability to obtain sufficient quantities of components on commercially reasonable terms or at all. The effects of global or regional economic conditions on the Company's suppliers, described in "*The Company's operations and performance depend significantly on global and regional economic conditions and adverse economic conditions can materially adversely affect the Company's business, results of operations and financial condition,*" above, can also affect the Company's ability to obtain components. Therefore, the Company remains subject to significant risks of supply shortages and price increases that can materially adversely affect its business, results of operations and financial condition.

The Company's new products often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, can be affected for any number of reasons, including if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements. When the Company's supply of components for a new or existing product has been delayed or constrained, or when an outsourcing partner has delayed shipments of completed products to the Company, the Company's business, results of operations and financial condition have been adversely affected and future delays or constraints could materially adversely affect the Company's business, results of operations and financial condition. The Company's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the source, or to identify and obtain sufficient quantities from an alternative source.

The Company's products and services may be affected from time to time by design and manufacturing defects that could materially adversely affect the Company's business and result in harm to the Company's reputation.

The Company offers complex hardware and software products and services that can be affected by design and manufacturing defects. Sophisticated operating system software and applications, such as those offered by the Company, often have issues that can unexpectedly interfere with the intended operation of hardware or software products. Defects can also exist in components and products the Company purchases from third parties. Component defects could make the Company's products unsafe and create a risk of environmental or property damage and personal injury. These risks may increase as the Company's products are introduced into specialized applications, including health. In addition, the Company's service offerings can have quality issues and from time to time experience outages, service slowdowns or errors. As a result, the Company's services from time to time have not performed as anticipated and may not meet customer expectations. There can be no assurance the Company will be able to detect and fix all issues and defects in the hardware, software and services it offers. Failure to do so can result in widespread technical and performance issues affecting the Company's products and services. In addition, the Company can be exposed to product liability claims, recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment, and/or intangible assets, and significant warranty and other expenses, including litigation costs and regulatory fines. Quality problems can also adversely affect the experience for users of the Company's products and services, and result in harm to the Company's reputation, loss of competitive advantage, poor market acceptance, reduced demand for products and services, delay in new product and service introductions and lost sales.

The Company is exposed to the risk of write-downs on the value of its inventory and other assets, in addition to purchase commitment cancellation risk.

The Company records a write-down for product and component inventories that have become obsolete or exceed anticipated demand, or for which cost exceeds net realizable value. The Company also accrues necessary cancellation fee reserves for orders of excess products and components. The Company reviews long-lived assets, including capital assets held at its suppliers' facilities and inventory prepayments, for impairment whenever events or circumstances indicate the assets may not be recoverable. If the Company determines that an impairment has occurred, it records a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. Although the Company believes its inventory, capital assets, inventory prepayments and other assets and purchase commitments are currently recoverable, there can be no assurance the Company will not incur write-downs, fees, impairments and other charges given the rapid and unpredictable pace of product obsolescence in the industries in which the Company competes.

The Company orders components for its products and builds inventory in advance of product announcements and shipments. Manufacturing purchase obligations cover the Company's forecasted component and manufacturing requirements, typically for periods up to 150 days. Because the Company's markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Company will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize firm purchase commitments.

The Company relies on access to third-party intellectual property, which may not be available to the Company on commercially reasonable terms or at all.

The Company's products and services are designed to include intellectual property owned by third parties, which requires licenses from those third parties. In addition, because of technological changes in the industries in which the Company currently competes or in the future may compete, current extensive patent coverage and the rapid rate of issuance of new patents, the Company's products and services can unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Company has been notified that it may be infringing certain patents or other intellectual property rights of third parties. Based on experience and industry practice, the Company believes licenses to such third-party intellectual property can generally be obtained on commercially reasonable terms. However, there can be no assurance the necessary licenses can be obtained on commercially reasonable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, can preclude the Company from selling certain products or services, or otherwise have a material adverse impact on the Company's business, results of operations and financial condition.

The Company's future performance depends in part on support from third-party software developers.

The Company believes decisions by customers to purchase its hardware products depend in part on the availability of third-party software applications and services. There can be no assurance third-party developers will continue to develop and maintain software applications and services for the Company's products. If third-party software applications and services cease to be developed and maintained for the Company's products, customers may choose not to buy the Company's products.

The Company believes the availability of third-party software applications and services for its products depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining and upgrading such software and services for the Company's products compared to competitors' platforms, such as Android for smartphones and tablets, Windows for personal computers and tablets, and PlayStation, Nintendo and Xbox for gaming platforms. This analysis may be based on factors such as the market position of the Company and its products, the anticipated revenue that may be generated, expected future growth of product sales, and the costs of developing such applications and services.

The Company's minority market share in the global smartphone, personal computer and tablet markets can make developers less inclined to develop or upgrade software for the Company's products and more inclined to devote their resources to developing and upgrading software for competitors' products with larger market share. When developers focus their efforts on these competing platforms, the availability and quality of applications for the Company's devices can suffer.

The Company relies on the continued availability and development of compelling and innovative software applications for its products. The Company's products and operating systems are subject to rapid technological change, and when third-party developers are unable to or choose not to keep up with this pace of change, their applications can fail to take advantage of these changes to deliver improved customer experiences and can operate incorrectly and can result in dissatisfied customers.

The Company distributes third-party applications for its products through the App Store. For the vast majority of applications, developers keep all of the revenue they generate on the App Store. The Company only retains a commission from sales of applications and sales of digital services or goods within an application. From time to time, the Company has made changes to its App Store, including actions taken in response to competition, market and legal conditions. The Company may make further business changes in the future. New legislative initiatives, such as the European Union ("EU") Digital Markets Act, could require further changes. The Company is also subject to litigation and investigations relating to the App Store, which have resulted in changes to the Company's business practices, and may in the future result in further changes. These changes could include how and to what extent the Company charges developers for access to its platforms and manages distribution of apps outside of the App Store. This could reduce the volume of sales, and the commission that the Company earns on those sales, would decrease. If the rate of the commission that the Company retains on such sales is reduced, or if it is otherwise narrowed in scope or eliminated, the Company's business, results of operations and financial condition could be materially adversely affected.

Failure to obtain or create digital content that appeals to the Company's customers, or to make such content available on commercially reasonable terms, could have a material adverse impact on the Company's business, results of operations and financial condition.

The Company contracts with numerous third parties to offer their digital content to customers. This includes the right to sell, or offer subscriptions to, third-party content, as well as the right to incorporate specific content into the Company's own services. The licensing or other distribution arrangements for this content can be for relatively short time periods and do not guarantee the continuation or renewal of these arrangements on commercially reasonable terms, or at all. Some third-party content providers and distributors currently or in the future may offer competing products and services, and can take actions to make it difficult or impossible for the Company to license or otherwise distribute their content. Other content owners, providers or distributors may seek to limit the Company's access to, or increase the cost of, such content. The Company may be unable to continue to offer a wide variety of content at commercially reasonable prices with acceptable usage rules.

The Company also produces its own digital content, which can be costly to produce due to intense and increasing competition for talent, content and subscribers, and may fail to appeal to the Company's customers. The COVID-19 pandemic has also caused additional restrictions on production and increased costs for digital content.

Some third-party digital content providers require the Company to provide digital rights management and other security solutions. If requirements change, the Company may have to develop or license new technology to provide these solutions. There can be no assurance the Company will be able to develop or license such solutions at a reasonable cost and in a timely manner.

The Company's success depends largely on the talents and efforts of its team members, the continued service and availability of highly skilled employees, including key personnel, and the Company's ability to nurture its distinctive and inclusive culture.

Much of the Company's future success depends on the talents and efforts of its team members, the continued availability and service of key personnel, including its Chief Executive Officer, executive team and other highly skilled employees. Experienced personnel in the technology industry are in high demand and competition for their talents is intense, especially in Silicon Valley, where most of the Company's key personnel are located. In addition to intense competition for talent, workforce dynamics are constantly evolving. If the Company does not manage changing workforce dynamics effectively, it could materially adversely affect the Company's culture, reputation and operational flexibility.

The Company believes that its distinctive and inclusive culture is a significant driver of its success. If the Company is unable to nurture its culture, it could materially adversely affect the Company's ability to recruit and retain the highly skilled employees who are critical to its success, and could otherwise materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company depends on the performance of carriers, wholesalers, retailers and other resellers.

The Company distributes its products and certain of its services through cellular network carriers, wholesalers, retailers and resellers, many of which distribute products and services from competitors. The Company also sells its products and services and resells third-party products in most of its major markets directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force.

Some carriers providing cellular network service for the Company's products offer financing, installment payment plans or subsidies for users' purchases of the device. There can be no assurance such offers will be continued at all or in the same amounts.

The Company has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Company employees and contractors, and improving product placement displays. These programs can require a substantial investment while not assuring return or incremental sales. The financial condition of these resellers could weaken, these resellers could stop distributing the Company's products, or uncertainty regarding demand for some or all of the Company's products could cause resellers to reduce their ordering and marketing of the Company's products.

The Company's business and reputation are impacted by information technology system failures and network disruptions.

The Company and its global supply chain are exposed to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, ransomware or other cybersecurity incidents, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and the Company's or its vendors' business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions can adversely impact the Company's business by, among other things, preventing access to the Company's online services, interfering with customer transactions or impeding the manufacturing and shipping of the Company's products. These events could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Losses or unauthorized access to or releases of confidential information, including personal information, could subject the Company to significant reputational, financial, legal and operational consequences.

The Company's business requires it to use and store confidential information, including personal information, with respect to the Company's customers and employees. The Company devotes significant resources to network and data security, including through the use of encryption and other security measures intended to protect its systems and data. But these measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company's business also requires it to share confidential information with suppliers and other third parties. The Company relies on global suppliers that are also exposed to ransomware and other malicious attacks that can disrupt business operations. Although the Company takes steps to secure confidential information that is provided to or accessible by third parties working on the Company's behalf, such measures are not always effective and losses or unauthorized access to or releases of confidential information occur. Such incidents and other malicious attacks could materially adversely affect the Company's business, reputation, results of operations and financial condition.